

Message Text

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ACTION NEA-09

INFO OCT-01 EUR-12 EA-06 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-02 H-02

PA-01 PRS-01 USIA-06 COME-00 CIAE-00 INR-07 NSAE-00

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R 161020Z APR 75

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 2779

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY BONN

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

AMEMBASSY TUNIS

USMISSION OECD PARIS

USMISSION EC BRUSSELS

C O N F I D E N T I A L SECTION 1 OF 2 KUWAIT 1675

TUNIS FOR PARSKY

E.O. 11652: GDS

TAGS: EFIN, KU US

SUBJECT: PARSKY MEETING WITH ATEEQI

SUMMARY: KUWAIT MINISTER FINANCE ATEEQI DURING APRIL 14 CON-
VERSATION WITH ASSISTANT SECRETARY PARSKY INDICATED THAT GOK
WILL FAITHFULLY OBSERVE LAWS AND REGULATIONS IN US AND OTHER
PLACES WHERE IT MAKES INVESTMENTS. HOWEVER, IT EXPECTS TO BE
TREATED LIKE ALL OTHER INVESTORS AND WOULD RESENT BEING DIS-
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CRIMINATED AGAINST. ATEEQI INDICATED THAT GOK CONSIDERS COMPLETE

ANONYMITY AND SECRECY TO BE OF GREAT IMPORTANCE. IN PURSUING ITS INVESTMENT PROGRAM GOK WILL WISH TO MAINTAIN AS MUCH FREEDOM AND INDEPENDENCE AS CONSISTENT WITH THE LAWS AND GOOD BUSINESS PRACTICES THAT EXIST WHERE IT MAKES INVESTMENTS. ATEEQI'S REMARKS MADE CLEAR THAT STRAINS IN ARAB-AMERICAN RELATIONS ARE AN INHIBITING FACTOR IN KUWAITI INVESTMENT IN US. HE WAS HIGHLY CRITICAL OF US PRESS TREATMENT OF KUWAITI ACTIVITIES. ON MORE POSITIVE NOTE ATEEQI EXPRESSED THANKS FOR PARSKY'S EFFORTS TO EXPLAIN KUWAITIS POSITION TO MEMBERS OF CONGRESS AND HE WELCOMED INFORMAL CONSULTATIONS WITH US OFFICIALS. END SUMMARY.

1. HIGHLIGHT OF RECENT VISIT HERE BY ASSISTANT SECRETARY PARSKY WAS NINETY MINUTE DISCUSSION WITH KUWAIT FINANCE MINISTER ATEEQI. PARSKY BEGAN CONVERSATION BY SUMMARIZING RECENT DEVELOPMENTS IN US REGARDING FOREIGN INVESTMENT FLOWS INTO COUNTRY. HE REVIEWED DISCUSSIONS IN CONGRESS AS WELL AS WITHIN ADMINISTRATION AND EXPLAINED THAT USG POLICY REMAINS TO MAINTAIN FREE AND OPEN MARKET. PARSKY ALSO DESCRIBED NEWLY FORMED INTER-AGENCY COMMITTEE ON FOREIGN INVESTMENT (IACFI) WHICH LED TO HIS EXPLAINING THE ADVANTAGES WE SEE TO SELECTED PRIOR CONSULTATION WITH GOVERNMENTS SUCH AS GOK WHICH CAN BE EXPECTED TO MAKE SIZABLE INVESTMENTS IN US. PARSKY STRESSED THAT USG DESIRE WAS TO ASSIST POTENTIAL INVESTORS BY, AMONG OTHER THINGS, PROVIDING EARLY WARNING AND GUIDANCE REGARDING INVESTMENTS THAT COULD AROUSE PUBLIC OR CONGRESSIONAL CONCERN. USG HAD NO DESIRE INTERFERE IN ANY WAY WITH NORMAL COMMERCIAL ASPECTS OF INDIVIDUAL INVESTMENT TRANSACTIONS.

2. ATEEQI'S RESPONSE WAS COMPLEX, REFLECTING GOK'S EXPERIENCE AS AN INVESTOR AND OVERALL POLITICAL CONTEXT IN WHICH ECONOMIC DECISIONS WERE MADE. ATEEQI BEGAN BY EXPRESSING APPRECIATION FOR MANNER IN WHICH PARSKY HAD PORTRAYED KUWAITI AND OTHER ARAB INVESTMENT POLICIES TO CONGRESS. HE THEN EXPRESSED CONSIDERABLE CRITICISM OF US PRESS HANDLING OF ARAB INVESTMENT ISSUES. HE SAID, "WE START TO BELIEVE THE EXAGGERATIONS OF YOUR PRESS OF OUR FINANCIAL POWER". ATEEQI SAID KUWAIT DOES NOT HAVE ANYWHERE NEAR ENOUGH MONEY TO MAKE A RIPPLE IN US ECONOMY. NOR DID HE THINK OPEC COUNTRIES AS A WHOLE HAD ENOUGH INVESTIBLE SURPLUS TO WORRY ABOUT. ATEEQI'S ANALYSIS IS THAT THE EXPRESSED CONCERN OVER TAKE-OVER OF US COMPANIES AND OTHER RHETORIC CON-

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CERNING FOREIGN INVESTMENT IS MERELY THIN COVER OVER ESSENTIALLY HOSTILE, ANTI-ARAB ATTITUDE CENTERED IN CONGRESS. HE SAID CONGRESSIONAL ATTITUDE HELPING HIM CONVINCE OTHERS KUWAITIS SHOULD INVEST IN ARAB WORLD.

3. ATEEQI WENT ON TO OBSERVE THAT MIDDLE EAST POLITICAL DEVELOPMENTS INEVITABLY AFFECTED GOK INVESTMENT PRACTICES. CLEARLY HE WAS DEEPLY DISAPPOINTED THAT SECRETARY'S LATEST TRIP TO REGION

DID NOT RESULT IN NEW DISENGAGEMENT AGREEMENT, AND HE SAID "EVERYONE FEELS THE SAME WAY." HE SUGGESTED THAT AT LEAST FOR NOW AND UNTIL FORWARD MOMENTUM IS GAINED, GOK INVESTMENT IN US WILL BE RESTRAINED.

4. DESPITE HIS GLOOMY POLITICAL ANALYSIS, ATEEQI DID INDICATE GOK INTENDS CONTINUE INVEST IN US AND HE CONTINUES TO BELIEVE US-KUWAITI ECONOMIC COOPERATION IS IMPORTANT. HOWEVER, INVESTMENT IN US WILL BE MADE VERY QUIETLY. THERE WILL BE NO MORE KIAWAH ISLAND-TYPE PUBLICITY, AT LEAST WHERE GOK CONCERNED, AND ATEEQI WISTFULLY WONDERED ALOUD WHETHER DAIMLER-BENZ, MANHATTAN TOWERS AND ST. MARTINS DEALS WERE WORTH ALL THE FUSS THEY STIRRED. HE SEES BEST WAY TO ASSURE ANONYMITY AND ULTRA-LOW PROFILE FOR GOK IS TO CONTINUE TO DEAL WITH AND THROUGH HANDFUL OF HIGHLY REPUTABLE AND TRUSTED INTERMEDIARIES, MAINLY MAJOR BANKS.

5. THUS, ATEEQI SAID, THERE NO NEED TO MAKE SPECIAL AGREEMENTS WITH USG. HE FEELS IT VERY IMPORTANT FOR GOK TO MAINTAIN ITS FREEDOM AND INDEPENDENCE AS AN INVESTOR. HE STATED CATEGORICALLY THAT GOK ALWAYS RESPECTS AND OBSERVES LAWS, REGULATIONS AND GOOD BUSINESS PRECTICE OF COUNTRIES IN WHICH IT INVESTS. MORE-OVER GOK HAS NO DESIRE OWN CONTROLLING INTEREST IN US COMPANIES AND KUWAIT DO NOT EVEN WANT PLACE ON BOARDS OF COMPANIES. GOK BELIEVES IT HAS HIGH REPUTATION AS RESPONSIBLE INVESTOR AND IT WISHES MAINTAIN THAT REPUTATION. GOK WOULD RESENT AND RESIST ANY ATTEMPT TO DISCRIMINATE AGAINST IT AS AN INVESTOR. ATEEQI SAID THAT UNLESS IT SOUGHT SPECIAL EXEMPTIONS FOR US LAWS, WHICH FOR NOW AT LEAST IT HAS NO INTENTION OF DOING, GOK SEES NO NEED FOR SPECIAL, FORMAL RELATIONSHIP WITH USG IN CONNECTION

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ACTION NEA-09

INFO OCT-01 EUR-12 EA-06 ISO-00 SP-02 AID-05 EB-07 NSC-05

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PA-01 PRS-01 USIA-06 COME-00 CIAE-00 INR-07 NSAE-00

/088 W

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R 161020Z APR 75
FM AMEMBASSY KUWAIT
TO SECSTATE WASHDC 2780
INFO AMEMBASSY ABU DHABI
AMEMBASSY BEIRUT
AMEMBASSY BONN
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY LONDON
AMEMBASSY MANAMA
AMEMBASSY PARIS
AMEMBASSY TEHRAN
AMEMBASSY TOKYO
AMEMBASSY TUNIS
USMISSION OECD PARIS
USMISSION EC BRUSSELS

C O N F I D E N T I A L FINAL SECTION 2 OF 2 KUWAIT 1675

TUNIS FOR PARSKY

WITH MAKING INVESTMENTS IN US. FOR THIS REASON IT INTENDS
PURCHASE US TREASURY BILLS AS IT TRADITIONALLY HAS THROUGH
ESTABLISHED PRIVATE INTERMEDIARIES IN MARKET AND NOT RPT NOT
DIRECTLY FROM US TREASURY DEPARTMENT. SAME PHILOSOPHY WOULD
PREVAIL IN CONNECTION WITH OTHER INVESTMENTS IN US. SIMILARLY,
WITH RESPECT TO WIDER US-KUWAIT ECONOMIC RELATIONS, ATEEQI
SAID KUWAITIS NEED AND WOULD WELCOME US EXPERTISE IN SEVERAL
AREAS, BUT HE PREFERS INSTITUTIONAL-TO-INSTITUTIONAL DEALINGS
RATHER THAN GOVERNMENT-TO-GOVERNMENT DEALINGS IN THIS AREA.
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6. EMBOFF NOTED THAT IACFI EXISTS AND LIKE ANY USG AGENCY IT
WAS POTENTIALLY AVAILABLE SHOULD GOK WISH TO CONSULT WITH IT.
ATEEQI SAID HE WILLING COOPERATE INFORMALLY ON AD HOC BASIS,
AS LONG, HE SAID, "AS WE ARE NOT TIED". AS CONVERSATION ENDED
HE SAID HE WOULD GIVE MORE CONSIDERATION TO INFORMAL CONSULTATIONS
WITH IACFI AND HE ASKED FOR MORE INFORMATION ON IT. PARSKY
PROMISED TO PROVIDE ADDITIONAL INFO IN LETTER TO ATEEQI TO
BE DELIVERED THROUGH EMBASSY. APART FROM IACFI, ATEEQI AGREED
THAT CONTINUING INFORMAL, AD HOC CONSULTATIONS ON MATTERS
OF MUTUAL INTEREST BETWEEN KUWAITI AND AMERICAN OFFICIALS IN KUWAIT
OR WASHINGTON ARE DESIRABLE.

7. COMMENT: DESPITE OCCASIONAL CRITICAL REMARKS BY ATEEQI,
HIS MANNER WAS FRIENDLY AND RESTRAINED. ATMOSPHERE OF MEETING WAS
CORDIAL. ATEEQI MADE CLEAR THAT GENERAL POLITICAL ATMOSPHERE
IN MIDDLE EAST, OR WITHIN US, OFTEN LIMITED OPENNESS WITH WHICH
HE COULD APPROACH INVESTING IN US. IN ANY CASE, KUWAITIS

TRADITIONALLY PREFER VERY QUIET INVESTMENT POSTURE, IF FOR NO OTHER REASON THAN TO AVOID UNNATURALLY AFFECTING MARKET. ATEEQI VERY SENSITIVE TO DISCRIMINATION AGAINST ARABS AND WILL WISH TO AVOID ANYTHING THAT COULD BE INTERPRETED AS A PRECEDENT REQUIRING PROCEDURES FOR ARAB INVESTORS--SUCH AS PRIOR CONSULTATION--THAT DO NOT APPLY TO OTHERS, EVEN WHERE USG INTENTION IS SIMPLY TO PROTECT ARAB INVESTOR. HE JEALOUSLY VALUES HIS ANONYMITY AND FREEDOM, AND IN CASE OF KUWAIT, WHICH MAY DIFFER FROM OTHER SURPLUS STATES, THERE IS IN BEING A NETWORK OF RELATIONSHIPS WITH A GROUP OF HIGHLY TRUSTED, HIGHLY REPUTABLE PRIVATE INTERMEDIARIES. NEVERTHELESS, ATEEQI DID LEAVE DOOR OPEN FOR CONTINUING AD HOC INFORMAL CONSULTATIONS WITH USG OFFICIALS, AND HE SEEMS GENUINELY TO VALUE SUCH CONSULTATIONS. AND AS NOTED ABOVE, HE DID ASK FOR MORE DETAILED INFO ON IACFI.

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